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TAGS: [ELAB](#) [ECON](#) [KTEX](#) [CB](#)
SUBJECT: SLOW PROGRESS IN CAMBODIAN GARMENT SECTOR LABOR
NEGOTIATIONS

REF: A. PHNOM PENH 1204

[1](#)B. PHNOM PENH 1614

[1](#)1. (SBU) SUMMARY. After two rounds of negotiations, unions and garment manufacturers have managed to reduce the gap between their proposed minimum wage increases only slightly. Unions--which entered the negotiations demanding USD 82--are now asking for USD 76, to be phased in over three years. Garment manufacturers, frustrated by what they see as unreasonably high offers by unions, have barely budged on their proposal, increasing from USD 51 to USD 51.50 over three years. Meanwhile, the parties have not even been able to discuss other important issues, including binding arbitration and other pay increases. END SUMMARY.

Little Progress Made in Narrowing Minimum Wage Gap

[1](#)2. (U) During the first negotiating session on September 11, the two sides made little progress, but garment manufacturers and labor observers remained hopeful that the opening session reflected union showboating that could be ditched in favor of more realistic proposals during the second round of negotiations. Unions entered negotiations demanding an increase to USD 82 per month to be phased in over three years (i.e. a 50% increase in the first year, an additional 10% in the second year, and an additional 10% in the third year, leading to a final minimum wage of USD 82). Garment manufacturers proposed raising the minimum wage by USD 2--less than 5%--each year for three years.

[1](#)3. (U) During the second round of negotiations, which were held on September 18, unions reduced their demands only slightly, from increases of 50%, 10%, and 10% in three successive years to increases of 40%, 10%, and 10%. Frustrated that union demands remain at unrealistic levels, garment manufacturers barely budged on their proposal, offering an additional fifty cents in their first year increase and holding their second and third year increases to USD 2 each.

Thinking Behind Union and Manufacturer Proposals

[1](#)4. (SBU) At a strategy session on Sept. 15, many unions agreed that a realistic target was likely to be increases of 20%, 10% and 10% over three successive years. However, Ath Thorn, the often rash president of the Cambodian Coalition of Apparel Workers Democratic Union, told other union leaders that that he had promised his members at least USD 63 per month in the first year, and could not back away from this commitment. (NOTE: In contrast, Ath Thorn has told us

privately that he would agree to a phased-in increase to USD 63 per month over three years if other unions agree, but he does not want to publicize this. END NOTE.) After the Sept. 18 session, several leading labor leaders told Labor Assistant that they believe that GMAC is still gauging their tenacity and may be willing to make more significant increases in the future. They remain hopeful that negotiations will ultimately be successful.

15. (SBU) GMAC Secretary General Ken Loo told Poleconoff after the Sept. 18 negotiations concluded that he has very little room to raise the minimum wage as dropping prices for garments have cut in to factories' profit margins. He claims that most garment factories operate at 3-5% profit margins, and some are losing money. Factory managers fear that an increase in the minimum wage will lead workers to demand higher piece rates as well, further raising labor costs. Instead, he would prefer to see workers become more productive and raise their incomes via increasing piece rate bonuses. Nonetheless, he affirmed that GMAC was committed to the negotiation process, no matter how slow.

Meanwhile, Other Issues Take A Back Seat

16. (SBU) While an increase in the minimum wage was unions' main concern, the slow progress made on this topic means that other important areas have not yet been addressed. Unions have slowly realized that an increase in the minimum wage will do little to help the majority of their members, who already earn more than the minimum. They have asked for attendance and seniority bonuses to be doubled--from USD 5 each per month to USD 10 each per month--as a way of raising the incomes of all members. In addition, garment factory owners and international labor observers have been hoping to

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stem the recent surge in labor unrest by securing an agreement to final and binding arbitration in exchange for no strikes or lockouts. Given the slow progress on minimum wage, these issues have not even been discussed.

17. COMMENT. While no one expected negotiations to proceed quickly, the glacial pace of compromise has disappointed international labor observers. The negotiating parties, themselves, however remain relatively confident that incremental progress can continue to be made. The real question is, if such a slow pace continues, will the government ask the recently reconvened tripartite Labor Advisory Council to take up the issue? Such a move would likely lead to a quicker--though perhaps less widely accepted--minimum wage rate increase, but would almost certainly leave out the binding arbitration and no strike provisions. END COMMENT.
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